

WASHINGTON STATE BOARD OF ACCOUNTANCY

Minutes of a Meeting of the Board

Time and Place of Meeting 9:01 a.m. – 12:47 p.m. Friday, April 29, 2022
Microsoft Teams Meeting

Attendance

Board Members

Rajib Doogar, Chair, Public Member
Brooke Stegmeier, CPA, Vice Chair, Board Member (arrival at 9:09 a.m.)
Mark Hugh, CPA, Board Member
Brian R. Thomas, CPA, Board Member
Thomas P. Sawatzki, CPA, Board Member
Scott S. Newman, Public Member
Tonia L. Campbell, CPA, Board Member

Staff and Advisors

Jennifer Sciba, Acting Executive Director
Taylor Shahon, CPA, Lead Investigator
Leo Roinila, Assistant Attorney General, Board Advisor
Kirsten Donovan, Board Clerk
Tia Landry, Data and Systems Administrator

The Board Chair excused the absences of Board Members, Kate Dixon, Public Member, and Jacqueline Meucci, CPA.

Call to Order

Board Chair, Rajib Doogar, called the meeting of the Board to order at 9:01 a.m.

Acting Executive Director, Jennifer Sciba, announced that former Executive Director, Dave Trujillo, CPA, retired effective April 12, 2022. The Governor's Office is taking applications for the Executive Director position.

The Board Chair and Acting Executive Director recognized Dave for a job well done and his impact on the Board during his time with the Board.

Minutes – January 28, 2022, Board Meeting

The Board approved the minutes of the January 28, 2022, Board meeting as presented.

The Board approved the use of their electronic signatures on file at the Board office for the signing of the meeting minutes.

State Auditor's Office

Scott Woelfle, CPA, Director of Quality Assurance and Innovation, and Kelly Collins, CPA, CFE, Director of Local Audit, presented the PowerPoint, An Overview of State Auditor's Office. The presentation included:

- State Auditor's Office background
 - Established in 1889
 - Part of the Executive Branch
 - The State Auditor position is separately elected
 - Current State Auditor is Pat McCarthy, who has the distinction of being the first woman elected to the position
- Types of work performed
 - Accountability audits
 - Financial audits
 - Federal audits
 - Whistleblower investigations
 - Fraud investigations
 - Unauditable governments
 - Other engagements
 - Performance audits
 - Cybersecurity audits
- Who audits the auditor?
 - Government Auditing Standards (GAO), also known as Yellowbook, establishes the National State Auditors Association as the auditor of the State Auditor's Office
- Online tools
 - Website – www.sao.wa.gov – designed with the user in mind

The Board Chair thanked Scott and Kelly for presenting at the meeting.

Board Policies Annual Review

The Board completed its annual review of all Board policies.

The Board voted unanimously to retain the following policies with no revisions:

- 2003-1 Safe Harbor Report Language for Use by Non-CPAs
- 2004-1 Administrative Violations Guidelines
- 2015-1 Board Member Travel and Attendance at Group Gatherings
- 2017-1 Investigative and Disciplinary Process
- 2017-2 Publication and Disclosure of Disciplinary Actions
- 2020-1 Peer Review
- 2020-2 Public Officials and Public Employees

Mark Hugh asked if Policy 2003-1 should be incorporated into Board Rule, since it has been around for nearly 20 years. The Board may discuss this more at a later date.

Tom Sawatzki asked if the passage of the CPA-Inactive legislation affects any of the policies. The Acting Executive Director stated that the

legislation changes date is July 1, 2024. Potential policy changes will be reviewed at that time.

NASBA Update

Jennifer Sciba, Acting Executive Director, provided a report on the NASBA activities:

- NASBA Western Regional Meeting in Colorado Springs, CO, June 7-9, 2022
- Executive Directors and Board Staff Conference attended virtually April 25-27, 2022, with the following discussion topics:
 - CPA Pipeline
 - Reduction of education requirements for CPA Exam candidates to 120 hours. Only 8 states, including Washington, have not adopted this change. CPA licensure still requires 150 hours of education.
 - CPA Evolution transition policy being worked on – Implementation for new CPA Exam is January 2024

The Board Chair and Mark Hugh encouraged other Board Members to attend the Western Regional meeting.

Legal Counsel's Report

Leo Roinila, the Board's legal counsel, reported that the Governor signed Senate Bill 5519 into law on March 17, 2022. More information on the RCW changes will follow later in the meeting.

Chair's Report

The Chair reported that he is working closely with the Acting Executive Director on establishing in-person Board meetings and in-person attendance at NASBA conferences.

Peer Review Program Update

Washington Society of Certified Public Accountants (WSCPAs) representatives – Kimberly Scott, President & CEO; Hayden Williams, CPA, Chief Financial Officer; and Julie Phipps, Manager of Practice Quality – provided an update on the Peer Review Program.

- Julie Phipps, who has run the peer review program for the WSCPAs for the past 25 years or so, is retiring in May 2023
- Hayden Williams, the CPA on staff for the program, is retiring a couple months after Julie
- WSCPAs is looking for a new administrator for our Board's peer review program
- The state society programs considered were Nevada, Minnesota, Oregon, and Colorado

- Factors considered were pricing, experience of staff, experience of CPA on staff, succession plan, and enthusiasm for customer care
- The Colorado Society of CPA (COCPA) program was chosen
- A seamless one-year, transition process is anticipated

The Acting Executive Director added the following:

- Praised Julie and Hayden for the great job they have done, noting that they have left big shoes to fill
- Met with Jill Turner, Peer Review Coordinator, with the COCPA and believes this is a good fit for the Board
- Many states have peer review administered by other states' societies
- Julie will facilitate the transition for those firms already enrolled in the Board's peer review program

Mark Hugh, Rajib Doogar, and Tom Sawatzki thanked Julie, Hayden, and Kimberly for administering the program for us all these years and for finding a new administrator for the Board.

Mark also thanked Robert Loe and Laura Lindell for their volunteer service on the Peer Review Oversight Committee. They will continue to serve as the Board's link in the quality control process through attendance at the Report Acceptance Body (RAB) meetings with the COCPA peer review program.

CPE Review Update

The Acting Executive Director provided an update and led the discussion on CPE review and the back-to-back CPE extension requests process.

- Board Rules related to CPE were revamped in 2020 to add:
 - Nano learning
 - 20-hour minimum annual CPE requirement
 - CPE reciprocity
 - CPE extensions for all who request – no longer limited to individual hardships; however, individuals cannot request CPE extensions in consecutive CPE reporting periods (no back-to-back extensions)
- 2022 is the first year CPE reporting required through the CPE Tracker, which is causing more CPE extensions than ever before
- Real time CPE audits are now being conducted
- 2023 is the first potential year for individuals to request back-to-back CPE extensions
 - Staff's process will be to deny the renewal application, since Board rule does not allow for back-to-back

extensions and the individual did not meet the CPE requirement for renewal

- With denied applications the individual has the right to appeal through a Brief Adjudicative Proceeding (BAP) – potentially Board Members will have more of these reviews to complete than they have done in the past
- Individuals who do not choose to go through the BAP process or have the decision to deny the renewal upheld through the BAP process can apply for reinstatement after their license lapses on July 1

2021 CPE Audit Results

The Acting Executive Director presented and reported on the 2021 CPE Audit Results report.

- 303 individuals chosen for the random audit
 - 262 passed
 - 23 were granted CPE extensions
 - 4 were excused
 - 14 failed

Executive Committee

The Chair reported that the committee discussed the Board meeting agenda during their teleconference.

Peer Review Oversight Committee (PROC)

Mark Hugh reported that a presentation on the peer review process is available by contacting him or on the Board’s website through the April 26, 2019, Board meeting agenda for anyone who would like more information.

Request Oversight Committee (ROC)

Tom Sawatzki reported:

Firm Names: *Approved:*

Hornstein Solutions
Ritz Tax & Accounting, Inc
Pinnacle Financial Services, PLLC
TK & Associates

Professional/Educational Organization – Recognition Requests

During the first quarter 2022, the Board did not receive any requests for recognition of an educational organization for purposes of obtaining list requests.

Tom advised that the committee member assigned for reviews is still rotated monthly.

Scholarship Oversight Committee (SOC)

Brian Thomas presented the Initial Data on 2022 WA CPA Foundation Scholarship Awardees report.

- Scholarships awarded:
 - Graduate Scholars (\$10,000) – 30
 - Undergraduate Scholars (\$5,000) – 44
 - Total scholarship amount tentatively awarded – \$520,000
- 17 universities with at least one scholarship winner
- Diversity statistics:
 - Asian American – 12 scholarship winners (18%)
 - Black – 7 scholarship winners (10%)
 - Hispanic – 6 scholarship winners (9%)
 - Middle Eastern – 2 scholarship winners (3%)
 - Other/More than 1 – 5 scholarship winners (8%)
 - White – 35 scholarship winners (52%)
 - Unidentified – 7 scholarship winners (9%)

Brian deferred to Kimberly Scott, WSCPA President & CEO, for additional comments. Kimberly reported:

- The report totals are the overall totals for the Washington CPA Foundation. The scholarships awarded with the Board's funding were:
 - 50 overall – 30 graduate and 20 undergraduate
 - 14 colleges represented
- Background for Board funds for scholarships
 - McCleary Act for education funding – the legislature was going to sweep the Board's fund balance to the general fund for K-12 education funding
 - WSCPA suggested using the funds for college scholarships for the advancement of the CPA profession
 - Legislation was passed which took \$3 million from the Board's fund balance for these scholarships
 - The Washington CPA Foundation administers the scholarship program
 - The money is to be dispersed over a 20-year period which is currently in year 5
- Direct lines to 27 colleges to promote the scholarship program
- Percentage of scholarships awarded closely matches the percentage of applications received per college
- Review process:
 - Filters to eliminate bias
 - 2-3 rounds of reviews
 - 6-8 reviewers for each application

- Scholarships awarded based on:
 - Merit initially
 - Passion for the profession – determined by essay question responses
 - Financial component as well – determined by essay question responses
- WSCPA has rolled out scholarship program for community colleges/associate degrees – Board funds will not go to this program

**Board/AICPA
Rules
Clarification Task
Force (BARC)**

Mark Hugh reported the task force is a collaboration between the task force Board Members and Board staff members. The task force met and reviewed the 11 professional conduct Board Rules, the AICPA Code of Professional Conduct (AICPA Code), and the differences between them. Mark presented the task force’s BARC recommendations report and led the discussion on:

- Options to clarify Washington rules
 - Eliminating all 11 professional conduct rules and replacing them with a new rule containing only the exceptions to the AICPA Code
 - Having a parallel set of Board rules limited to just the AICPA rule, noting that the Board adopts the AICPA Code and interpretations, and listing any exceptions as part of the parallel rule
- The BARC recommended the parallel alignment, and along with this alignment:
 - A standing Board committee to monitor proposed changes to the AICPA Code and interpretations by the AIPCA in exposure drafts
 - Revised Board rules to have identical titles to the AICPA Code rules
 - Simplified language in the Board rules to improve readability
- Rule exceptions noted in the report, specifically client records
 - The Board rule currently does not allow for withholding of records for unpaid fees while the AICPA Code does allow this
 - Should the Board change the rule to align with the AICPA Code?

The Board agreed upon the parallel alignment for revising the rules. After discussion the Board Members wished to hold off on a decision on unpaid fees and withholding of client records. The BARC will begin drafting rule revisions with both options, which the Board will discuss at a later time.

Acting Executive Director's Report Budget Status Report

The Acting Executive Director presented the Allotment Expenditure/Revenue BTD Flexible Report, the Certified Public Accountant's Account Fund Balance, and the CPA Scholarship Transfer Account Fund Balance for transactions through March 31, 2022.

The Acting Executive Director reported that she spoke with Paul Bitar, CPA, Senior Financial Consultant with Small Agency Financial Services (SAFS), who said that the agency is in excellent financial condition. Licensing revenue is up and is expected to be 5% higher than projected.

Senate Bill 5519

The Acting Executive Director reported on the passage of Senate Bill 5519. The bill:

- Eliminates the CPA-Inactive certificate credential
- Adds inactive as a status for a CPA license
- Has an effective date of June 9, 2022, but the changes to the inactive credential and status become effective on July 1, 2024

The Acting Executive Director thanked the WSCPA for running the legislation and working with the Board.

2021 Board of Accountancy Report to Governor

The Acting Executive Director presented the Board of Accountancy's Annual Report to the Governor of the agency's activities for the year ending December 31, 2021.

Mark Hugh stated that he appreciates staff for their work, especially now while being down two full-time employees. The Acting Executive Director stated that the Board hopes to have a new Executive Director soon, and a new staff position is being considered with the possibility of some reorganization of duties amongst the current staff.

Enforcement Report

Taylor Shahon, CPA, Lead Investigator, presented:

- Quarterly Enforcement Report for January 1, 2022, through March 31, 2022
- Resolved Complaint Report for periods April 2021 through March 2022 and April 2020 through March 2021

Taylor reported on the following enforcement activities:

- The Acting Executive Director knows the enforcement processes well, so things are running smoothly while awaiting a new Executive Director
- Thanks to all Consulting Board Members (CBM) for their case reviews – all cases are looked at by a CBM before closure
- Current complaints are mostly related to use of title or records

**Executive and/or
Closed Session
with
Legal Counsel**

No executive or closed sessions were held.

Public Input

Jeremy Saladino of the Washington Association of Accountants and Tax Professionals (WAATP) thanked the Board for holding the meetings virtually, as this makes attending easier. He volunteered his services, if wanted, in helping to rewrite the Safe Harbor language into Board rule. He also thanked the Acting Executive Director for agreeing to speak at the WAATP annual meeting in June. Earlier in the Teams chat he added: Thank you all for retaining the Safe Harbor Language – this is an important policy to many professionals across the state.

Kenneth Smith added to the Teams chat: PUBLIC COMMENT “(in absentia - I am unable to remain for the rest of the meeting): I wish to sincerely thank the Board for having the presentation today from the State Auditor's Office (SAO).

In order to have a balanced assessment, I now request that the Board schedule a presentation to hear from those who are served/concerned about the accounting services provided by SAO (such as city councils, county commissioners, CFOs of audited entities, School Board Directors, Think Tanks, etc).

In many ways, I believe your primary duty is to those served by accountants, and secondly to those who provide accounting.”

Mark Ruzicka added this public comment to the Teams chat stating that he did not have access to a microphone:

“Thank you to the Chair.

Re: BARC/SAC – I would like to express my concurrence with Mark Hugh's limitation of the scope of any rules/standards monitoring committee because AICPA is the overarching guide code of conduct and is prerequisite (in most instances) to other standard setters.

Re: Client records – If a client has not paid an agreed fee for agreed deliverables, then I do not understand how they should have a right to

such deliverables. CPA has incurred costs in producing these documents.”

Adjournment The Board meeting adjourned at 12:47 p.m.

Secretary

Chair

Vice-Chair

Member

Member

Member

Member

Member

Member